

# GENERAL INFORMATION

## NEW FOR 1996

### TAX PREPARER CONTACT BOX

A tax preparer contact box has been added to the 1996 income tax returns. It is located directly above the signature box. This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to contact your preparer to resolve any questions related to your return.

This authorization is valid for up to 120 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

### REPEAL OF NEW JOBS TAX CREDIT AND ETHANOL ALCOHOL PRODUCTION CREDIT

The 1996 legislature repealed the New Jobs Tax Credit and

the Ethanol Alcohol Production Credit effective for tax years beginning on and after January 1, 1996. You can no longer earn either of these credits. You may carry forward any unused credits you earned prior to January 1, 1996 if the carry forward period has not expired.

### TAX ON IDAHO INCOME OF A NONRESIDENT PARTNER

A nonresident partner can elect to have the partnership pay the tax on his Idaho income earned from the partnership. To qualify, the individual must not have any other Idaho source income. If the individual does not report and pay the tax on the Idaho income when required, the partnership will be taxed on the amount of the Idaho income. See the specific instructions for more information.

### WHO MUST FILE FORM 65

- A partnership having one or more partners residing in Idaho.
- A partnership transacting business in Idaho.
- A limited liability company treated as a partnership for federal income tax purposes and meeting one of the requirements above.

### TRANSACTING BUSINESS

Transacting business in Idaho is indicated by, but not limited to, the following activities:

- owning or leasing, as lessor or lessee, any property in Idaho;
- soliciting business in Idaho;
- being a member of a partnership with business in Idaho;
- any Idaho activity from which income is received, realized, or derived; or
- having an agent, such as a collector, repair person, delivery person, etc., acting on your behalf in Idaho.

### HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by an authorized individual on behalf of the partnership.

The amounts on the return may be rounded to the whole dollar.

### WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION  
PO BOX 56  
BOISE ID 83756-0201

### DUE DATE OF RETURN

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15. If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next work day.

### EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, you must file for an extension of time on Form 41E. The extension must be filed on or before the due date of the tax return. Payment of the estimated tax due must accompany the extension. The extension is for six months. No further extension is allowed. You will receive notice only if the extension is denied. The return may be filed at any time before the extension expires.

Form 41E is only an extension of time to file the return. There is no extension of time to pay the tax owed. For the extension to be valid, it must include at least 80% of the tax due or 100% of the total tax reported on the previous year's tax return, if a return was filed for that year. Interest is charged on any unpaid tax from the due date until the tax is paid. If the request for extension of time does not have sufficient payment attached, a 5% penalty will apply to any tax due. The minimum penalty is \$10.

### ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact Taxpayer Services at (208) 334-7660 for further information.

### PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

### PERMANENT BUILDING FUND TAX

A partnership is required to pay the permanent building fund tax for each nonresident partner who meets the Idaho filing requirements but does not report his partnership income on an Idaho individual return. If all partners file Idaho individual income tax returns, the partnership is not required to pay the permanent building fund tax.

### PENALTIES AND INTEREST

A penalty will be imposed against a partnership that is required to file, but fails to file, an Idaho return. The penalty is \$10 times the number of persons who are partners during any part of the tax year for each month the return is not filed, up to five months. If the partnership has no business activity in Idaho during the tax year, the penalty is \$10 times the number of partners who are Idaho residents or are corporations with a business situs in Idaho for each month the return is not filed, up to five months. Other penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 9% per year (rate effective 1-1-97 to 12-31-97).

## GENERAL INFORMATION

### PERIOD/TAX YEAR COVERED BY RETURN

Use the 1996 form to file your tax return for calendar year 1996 or the fiscal year beginning in 1996.

### ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

### ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

### AMENDED RETURNS

If you discover an error on your return after it is filed, do not file the same form again. Use a Form 41X, Amended Business Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

### FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Idaho State Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

## GENERAL INSTRUCTIONS FOR MULTISTATE/MULTINATIONAL TAXPAYERS AND UNITARY GROUPS

The following instructions apply only to partnerships that operate in Idaho and another state or country (multistate/multinational taxpayers) or have at least one partner who is a member of a unitary group.

### ALLOCATION AND APPORTIONMENT OF INCOME

**Business Income.** Business income includes income from transactions or activity in the regular course of your trade or business. Business income also includes income from tangible or intangible property if the acquisition, management, or disposition of the property is an integral part of your regular trade or business operations. Business income may result even though the income was derived from an occasional or extraordinary transaction. All business income must be apportioned using the apportionment formula.

**Nonbusiness Income.** Nonbusiness income is all income other than business income and must be allocated, not apportioned. Allocation is the assignment of nonbusiness income to a specific state.

**Apportionment Formula.** The apportionment formula consists of three factors: property, payroll, and sales. These three percentages are averaged to arrive at the Idaho apportionment factor. For most taxpayers, the sales factor is double weighted.

Electrical and telephone utilities must use a single weighted sales factor. See Schedule 42 for specific instructions.

### EXCEPTIONS TO APPORTIONMENT FORMULA

If the allocation and apportionment provisions do not fairly represent your business activity in Idaho, one of the following exceptions may be used:

**Separate Accounting.** Separate accounting means allocating income and related expenses to the state where the activity occurred. Separate accounting may be used only with prior approval from the Idaho State Tax Commission. You must submit a written petition to the Tax Commission, Attention: Tax Policy, at least 30 days prior to the due date for filing the return, not including extensions. You will be notified of the determination.

**Exclusion Of A Factor.** If any of the factors (property, payroll, or sales) do not apply to your business, use the remaining factors to compute the Idaho apportionment factor. To determine the average percentage, divide only by the number of factors used.

### MODIFIED FACTORS FOR CERTAIN INDUSTRIES

The following businesses must use special rules in computing the apportionment factors:

- Airlines
- Carriers of Freight or Passengers
- Construction Contractors
- Television and Radio Broadcasters
- Publishers

See Schedule 42 for additional information.

### UNITARY BUSINESS

A multistate business is unitary when the operations conducted in Idaho are integrated with, depend on, or contribute to the business outside Idaho. Some of the tests used to determine if a business is unitary include the following:

- The three unities test. The three elements of a unitary business include:
  1. unity of ownership;
  2. unity of operation as evidenced by central divisions for functions such as purchasing, advertising, accounting and management; and
  3. unity of use in its centralized executive force and centralized system of operations.
- The contribution or dependency test. The operation of the portion of the business done in the state depends on or contributes to the operation of the overall business.

If unity of ownership exists, the presence of any of the following factors creates a strong presumption that the activities of the taxpayer constitute a unitary business:

1. All activities of the group are in the same general line or type of business.
2. The activities of the group constitute different steps in a vertically structured enterprise.
3. The group is characterized by centralized management.

### MULTISTATE CORPORATE MEMBERS OF PARTNERSHIPS

If a corporation required to file an Idaho income tax return is a member of an operating partnership or joint venture, the corporation must apportion its share of the partnership's business income or loss along with all other net business income or loss of the corporation. The corporation's share of the partnership's property, payroll and sales is determined in the same proportion as the partnership's income is distributed and must be included in the corporation's apportionment computation.

# FORM 65 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.  
General information instructions beginning on page 1 also apply to this form

## HEADING

File the 1996 return for calendar year 1996 or a fiscal year that begins in 1996. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the partnership's legal name, business name, address, and federal employer identification number in the space provided.

## QUESTIONS 1-9

Mark the appropriate box and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

### Question 1 NAME CHANGE

If the partnership changed its name since it last filed, check the "Yes" box and enter the name the way it appeared on the last filed return.

### Question 2 FEDERAL AUDIT

If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

### Question 3 FINAL RETURN

If this is the partnership's final return for Idaho, check the box that explains the reason. Enter the date the partnership dissolved or withdrew from Idaho.

### Question 4 NEXT YEAR'S FORMS

If the partnership does not need income tax forms mailed to it next year, check the "No" box.

### Question 5 ELECTRICAL OR TELEPHONE UTILITY

If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

### Question 6 OWNERSHIP CHANGE

Check the "Yes" box if a partner terminated his interest in the partnership or if a new partner acquired an interest in the partnership.

### Question 7 LIMITED LIABILITY COMPANY

If your entity was formed as a limited liability company under state law, check the "Yes" box. If the entity is treated as a corporation for federal income tax purposes do not file Form 65; use Form 41.

### Question 8 IDAHO INVESTMENT TAX CREDIT

Enter the amount of the earned credit from line 2, Part I, Form 49. This is the Idaho investment tax credit the partnership earned and passed through to the partners.

### Question 9 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

Enter the amount shown on line 13, Part III, Form 49R. This is the amount of recapture of Idaho investment tax credit the partnership passed through to the partners.

The partnership must provide a schedule to each partner which shows all Idaho income, deductions, apportionment factors, tax credits and tax credit recapture that is reportable by the partner. A copy of this schedule and the federal Schedule K-1, Form 1065 must be attached to the Idaho Form 65 and be furnished to each partner.

## INCOME

### LINE 13 PORTFOLIO INCOME

Enter your net portfolio income or loss from Form 1065, Schedule K, lines 4a through 4f.

### LINE 14 OTHER INCOME

Enter your other income from Form 1065, Schedule K, lines 6 and 7.

### LINE 15 DEDUCTIONS

Enter your deductions from Form 1065, Schedule K, lines 8 through 11 plus the lesser of line 12a or 12b(1) less 12b(2).

### LINE 17 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal income under the provisions of the Internal Revenue Code. Attach a schedule.

### LINE 18 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each miscellaneous addition.

### LINE 20 INTEREST FROM IDAHO MUNICIPAL SECURITIES

Enter interest received from securities issued by the state of Idaho and its political subdivisions, if included on line 17.

### LINE 21 INTEREST ON U.S. OBLIGATIONS

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in federal taxable income, line 13. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Production Credit Associations
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

### LINE 22 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

### LINE 23 FEDERAL TAX CREDIT FOR GASOHOL

Enter the amount included in federal income for the federal tax credit for sales and use of alcohol blended fuels (gasohol).

### LINE 24 ALLOCATED INCOME

Enter the amount of nonbusiness income. Attach a schedule detailing the source of income and an explanation of why the income was classified as nonbusiness.

# FORM 65

## LINE 29 APPORTIONMENT FACTOR

If all the activity is in Idaho, enter 100%. If the partnership has multistate/multinational operations, enter the apportionment factor from Schedule 42, Part I, line 21. Attach Schedule 42.

## LINE 31 INCOME ALLOCATED TO IDAHO

Enter the amount of nonbusiness income allocated to Idaho. Attach necessary schedules.

## LINE 32 COMPENSATION OF NONRESIDENT PARTNERS

The Idaho source wages, salaries and other compensation of nonresident partners may be reported and taxed by the partnership. If an election is not made and the partner who meets the Idaho filing requirement does not file an Idaho individual income tax return or does not pay the tax due, the partnership is required to report the income and be taxed at the corporate rate.

## LINE 33 INCOME REPORTED ON PARTNERS' RETURNS

Resident partners must report partnership income on their Idaho individual income tax returns. Determine the amounts from lines 30 and 31 that are reportable by the resident partners.

Nonresident partners may report partnership income on their nonresident individual income tax returns. Determine the amounts from lines 30 and 31 that are reported by the nonresident partners.

## CREDITS

Credits earned by the partnership are passed through to each partner based on that partner's distributive share of partnership profits. When a partnership has a fiscal year end other than that of the partner, the credit passes through in the same period that the partnership income or loss is required to be reported by the partner for federal tax purposes.

The partnership must prepare and distribute to each partner a schedule that shows all Idaho income, deductions and tax credits that must be reported on the partner's individual Idaho income tax return. Each partner uses this information to determine the amount of Idaho credit, credit recapture and credit carryover to be reported on his individual income tax return. Copies of these schedules must be attached to the Idaho Partnership Return of Income for the year in which the credit is earned.

If a nonresident partner's share of the income is taxed on the partnership's return, the tax may be offset by the credit allowed to that partner.

## LINE 36 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the partnership donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 35, or
- \$50

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum

## LINE 37 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

Report the allowed credit computed on line 10, Part II, Form 49.

## LINE 38 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the partnership donated cash or goods to a qualified youth or rehabilitation facility, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 35, or
- \$100

The following are qualified youth or rehabilitation facilities:

- Anchor House
- The Arc, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- High Reachers, Inc., Mountain Home
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

## LINE 39 NEW JOBS TAX CREDIT CARRYOVER

If you have new jobs tax credit carryover from the previous year, you may be able to claim it. Complete and attach Idaho Form 55.

## LINE 40 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

## OTHER TAXES

## LINE 43 PERMANENT BUILDING FUND TAX

Partnerships that report taxable income on line 34 are required to pay the \$10 permanent building fund tax for each nonresident partner who is required to file, but does not file, an Idaho individual income tax return. The partner's requirement to file is based on his share of the partnership gross income. See the instructions for Form 43 to determine the filing requirement for individuals.

# FORM 65

## LINE 44 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 18, Form 75. Attach Form 75.

## LINE 45 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

## PAYMENTS AND OTHER CREDITS

### LINE 47 ESTIMATED TAX PAID

Enter the amount of payment(s) made with Form 41E, Application for a Six-Month Extension to File Idaho Business Income Tax Return, and the amount applied from your 1995 return.

### LINE 48 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 9, Form 75. Attach Form 75.

### LINE 49 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 8, Form 75. Attach Form 75.

## REFUND OR PAYMENT DUE

### LINE 52 PENALTY AND INTEREST

**Penalty:** If the partnership files a return or makes payment of tax after the due date, a 5% penalty for each month (or fraction of a month), up to a maximum of 25%, will apply to the tax due beyond the due date. If the partnership received an extension of time to file its return and did not include a payment of at least 80% of the tax due or 100% of the total tax reported last year, a 5% penalty will apply to the tax due. The minimum penalty is \$10.

**Interest:** Interest is charged on the tax due, line 51, from the due date until paid. The rate for 1997 is 9%.

### LINE 55 REFUND

You have the option of receiving all or a portion of the overpayment listed on line 54 as a refund, or applying all or a portion of the overpayment to your 1997 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 54, you must enter zero on line 56.

### LINE 56 ESTIMATED TAX

You have the option of applying all or a portion of the overpayment listed on line 54 as a credit against your 1997 estimated tax. The amount you list on this line plus the amount on line 55 must equal the overpayment listed on line 54. If you listed the total overpayment as the amount you want refunded to you on line 55, you must enter zero on this line.